

STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 7557

Petition of Central Vermont Public Service)
Corporation pursuant to 30 V.S.A. § 108 for Consent)
to Issue and Sell up to \$45 Million in Common Stock)
in a so-called "at market" public offering)

Order entered: 10/5/2009

I. INTRODUCTION

On August 18, 2009, Central Vermont Public Service Corporation ("CVPS" or the "Company") filed a petition (the "Petition") with the Vermont Public Service Board ("Board") seeking approval pursuant to 30 V.S.A. § 108 to permit the issuance and sale of up to \$45 million of Common Stock, at a so-called "at the market" public offering, in an aggregate amount not to exceed 2,800,000 shares over a three-year period. The new issuance is necessary in order for the Company to fund capital projects including "CVPS SmartPower™" and for other general corporate purposes. The Petition was supported by the testimony of Pamela J. Keefe, Vice President and Chief Financial Officer for CVPS, and by accompanying exhibits.

On September 23, 2009, the Department of Public Service ("DPS") filed a letter with the Board, with an attached "DPS Determination Under 30 V.S.A. § 202(f)". The DPS filing recommends that the Board approve the Petition and find that the issuance of \$45 million of Common Stock as set forth in the Petition is consistent with the *Vermont Electric Plan* pursuant to 30 V.S.A. § 202(f) and consistent with the general good of the state.

On September 23, 2009, the DPS informed the Board by letter that it recommended approval of the Petition by the Board without hearing.

I have reviewed the Petition, the supporting testimony, and accompanying documents. I conclude that approval of CVPS's Petition pursuant to 30 V.S.A. § 108(a) is appropriate and that such approval may occur without hearing. Based upon the evidence of record and the testimony and exhibits presented in this docket, and the DPS letters of September 23, 2009, I hereby report the following findings and conclusion to the Board in accordance with 30 V.S.A. § 8.

II. FINDINGS

1. CVPS is a company as defined by 30 V.S.A. § 201(a), and is subject to the jurisdiction of the Board pursuant to 30 V.S.A. § 203. Petition at 1.

2. CVPS requests that the Board approve the issuance and sale of \$45 million of Common Stock, at a so-called "at the market" public offering, not to exceed 2,800,000 shares over a three-year period, beginning in January 2010. Petition at 1.

3. An "at the market" transaction will permit the Company to obtain capital on an "as needed" basis at market pricing, in the Company's discretion, as opposed to offering a large number of shares in a single market transaction. An "at the market" offering allows the capture of upside market prices and is less costly than a traditional equity offering since no specific marketing effort is required. Keefe pf. at 5; exh CVPS PJK-1.

4. The proposed issuance of \$45 million in equity capital will provide a significant portion of CVPS's estimated new capital requirements for the 2010 and 2011 time period. The Company anticipates needing approximately \$155 million in capital over the next three years to fund upcoming capital expenditures (including "CVPS SmartPower™"), a \$5.5 million New Hampshire industrial development bond maturity in December 2009, a \$20 million first mortgage bond maturity in June 2011, \$1 million in Preferred Stock sinking fund redemptions, and other corporate purposes. Although the Company does have access to a \$40 million revolving credit facility, borrowings and issued letters of credit are expected to exceed allowed levels without the proposed issuance of Common Stock. CVPS has applied for federal stimulus funds in order to offset some of its capital needs. Keefe pf. at 4-5.

5. CVPS also seeks to maintain the equity component of its capital structure at between 55% and 60% over the next three years. Although debt is the cheapest source of outside capital, creditors typically require a meaningful equity cushion to mitigate their investment risk. CVPS believes a targeted capital structure of approximately 60% equity and 40% debt is reasonable. The Company's current capital ratio, as reflected as of June 30, 2009 on a Generally Accepted Accounting Principles ("GAAP") basis, is 57.6%. Keefe pf. at 3-4.

6. The Company is considering Robert C. Baird & Co. ("Baird") as the underwriter for the proposed stock issuance. Baird does not charge an up-front underwriting fee or facility fee

for "at the market" transactions, but does require reimbursement of legal and other direct expenses. Baird will earn ongoing fees of 2%-3% of the value of the actual "at the market" sales as they occur over time. Other fees would include CVPS's outside counsel fees, Securities and Exchange Commission filing fees, and other usual and customary expenses for this type of transaction. Keefe pf. at 6.

7. The proposed issuance is consistent with the public good of the State and the *Vermont Electric Plan*. Keefe pf. at 9, DPS letter dated 9/23/09 at 2.

8. CVPS's Board of Directors approved the filing of the Petition, as well as the filing of the Registration Statement with the SEC, on August 3, 2009. The Board of Directors will need to review and approve resolutions for the proposed issuance once all legal requirements are in place. Keefe pf. at 9.

III. DISCUSSION & CONCLUSION

Based upon the foregoing and the evidence in the record, I find that the issuance of up to \$45 million in Common Stock as described in the Petition will be consistent with the general good of the State. I conclude that the proposed increase in the target equity component of CVPS's capital structure does not compromise the credit metrics of the Company. Moreover, the proposed equity funding will be used in part to reduce the Company's debt due to upcoming bond maturities and sinking fund redemptions as described above. I therefore recommend that the Board approve the Petition and authorize the issue and sale of up to \$45 million of Common Stock, as an "at the market" public offering, not to exceed 2,800,000 shares, without hearing.

The parties have waived their rights to file exceptions and present arguments under 3 V.S.A. § 811. Therefore, the proposal for decision has not been served on the parties.

Dated at Montpelier, Vermont this 30th day of September, 2009.

s/Jay E. Dudley

Jay E. Dudley
Hearing Officer

IV. ORDER

IT IS HEREBY ORDERED, ADJUDGED AND DECREED by the Public Service Board of the State of Vermont that:

1. The findings, conclusion and recommendation of the Hearing Officer are accepted and adopted.
2. The request for approval of the issuance and sale of up to \$45 million of Common Stock as set forth in Central Vermont Public Service Corporation's ("CVPS" or the "Company") Petition in this docket and as described in the Findings are consistent with the general good of the State of Vermont.
3. Pursuant to 30 V.S.A. § 108(a), consent is hereby given to CVPS to issue up to \$45 million of Common Stock, as an "at the market" public offering, not to exceed 2,800,000 shares, as described in the Findings above.
4. This Order does not constitute approval of CVPS's capital structure or of any particular capital or operating expenditure that may be implemented with the proceeds from the issuance of Common Stock contemplated in the Petition in this docket. Nothing in this approval shall preclude the Vermont Department of Public Service ("Department") or any other party, or the Vermont Public Service Board ("Board"), from reviewing or challenging such expenditures or CVPS's resulting capital structure.
5. CVPS shall inform the Board and the Department of any material change in the terms and conditions of the proposed stock issuance.
6. Upon request, CVPS shall provide the Board and the Department with a complete set of final executed documents.

Dated at Montpelier, Vermont, this 5th day of October, 2009.

<u>s/James Volz</u>)	
)	PUBLIC SERVICE
)	
<u>s/David C. Coen</u>)	BOARD
)	
)	OF VERMONT
<u>s/John D. Burke</u>)	

OFFICE OF THE CLERK

FILED: October 5, 2009

ATTEST: s/Susan M. Hudson
CLERK OF THE BOARD

NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: psb.clerk@state.vt.us)

Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Board within thirty days. Appeal will not stay the effect of this Order, absent further Order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.